



Arnold Schwarzenegger  
Governor

June 16, 2010  
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Ms. Francene Kennedy, Executive Director  
North Central Counties Consortium  
422 Century Park Drive, Suite B  
Yuba City, CA 95991

Dear Ms. Kennedy:

WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the North Central Counties Consortium's (NCCC) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. Larry Yanni from June 8, 2009, through June 12, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by NCCC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of NCCC, a review of applicable policies and procedures, and a review of documentation retained by NCCC for a sample of expenditures and procurements for PY 2008-09.

We received your response to our draft report on November 2, 2009, and reviewed your comments and documentation before finalizing this report. Because your response

adequately addressed findings one, two and three cited in the draft report, and no further action is required at this time. However, these findings will remain open until we verify the implementation of your stated corrective action plan during a future on-site review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 90224 and 90225.

### **BACKGROUND**

The NCCC was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, NCCC was allocated: \$1,702,611 to serve 3,120 adult participants; \$1,734,730 to serve 485 youth participants; and \$1,362,422 to serve 662 dislocated worker participants.

For the quarter ending June 30, 2009, NCCC reported the following expenditures for its WIA programs: \$875,969 for adult participants; \$1,126,749 for youth participants; and \$706,282 for dislocated worker participants. In addition, NCCC reported the following enrollments: 3,920 adult participants; 581 youth participants; and 1,917 dislocated worker participants.

### **FISCAL REVIEW RESULTS**

While we conclude that, overall, NCCC is meeting applicable WIA requirements concerning financial management, we noted instances of noncompliance in the following areas: Memorandum of Understanding (MOU) and Single Audits. The findings that we identified in these areas, our recommendations and the NCCC proposed resolution of the findings are specified below.

#### **FINDING 1**

**Requirement:** WIA Section 118(c)(1-2)(A)(i-iv)(B) describes the development and contents of MOU's between the Local Board and One-Stop partners.

20 CFR Section 662.300(a) and (b) states, in part, that the MOU is an agreement developed and executed between the Local Board, with the agreement of the chief elected official, and the One-Stop partners relating to the operation of the One-Stop delivery system in the local area. Additionally, the MOU must contain provisions that cover services to be provided through the One-Stop delivery system, funding of the services, operating costs of the system, and methods for referring individuals between the One-Stop operator and partners.

**Observation:** The NCCC has five comprehensive One-Stop Centers. We found that several MOUs are either not signed or dated since June 30, 2008. For example, Colusa County still has a PY 2008-09 MOU pending signature with the Yuba Community College and Glenn County still has a PY 2008-09 MOU pending signature with the California Department of Rehabilitation. We acknowledge that several of NCCC's MOUs are current; however, all of the MOUs need to be signed and/or dated to achieve full compliance.

**Recommendation:** We recommended that NCCC develop a Corrective Action Plan (CAP), including a timeline, to ensure all MOUs contain proper signatures and dates. We also recommended that NCCC provide the Compliance Review Office (CRO) with copies of all MOUs once they are signed by the required partners.

**NCCC Response:** The NCCC stated that a review of all MOUs has been conducted for each of NCCC's five comprehensive One-Stop Centers. Furthermore, NCCC stated that they have implemented a CAP to ensure that all future MOUs are negotiated and signed in accordance with current applicable federal and state laws, regulations, policies, and directives. In addition, NCCC has provided copies of the signed MOUs mentioned above.

**State Conclusion:** We consider this finding resolved.

## **FINDING 2**

**Requirement:** OMB Circular A-133, Subpart B, Section 200 states, in part, that Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year. Further, Subpart B, Section .235 (c)(1) states, in part, that the audit report shall be submitted within the earlier of 30 days after receipt, or nine months after the end of the audit period. Additionally, Subpart D, Section 400 (d)(4) states, in part, that pass-through entities must ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

**Observation:** We observed that NCCC did not receive single audits from two of its subrecipients. Specifically, NCCC did not receive single audits

for Program Year ending June 30, 2008, from Colusa County or Lake County that were due nine months after the end of the audit period. However, NCCC did provide a June 30, 2009 timeline indicating these single audits will be received. As of August 10, 2009, only Lake County submitted their single audit report.

**Recommendation:** We recommended that NCCC obtain the single audit for Colusa County. We also recommended that NCCC develop a CAP for ensuring timely submission of the subrecipient single audits.

**NCCC Response:** The NCCC stated that the single audits mentioned above have been received and provided to CRO. In addition, NCCC has implemented a CAP to withhold funding from their subrecipients if the single audits are not received by the timeframes specified to remain within compliance.

**State Conclusion:** The NCCC stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future on-site visit, NCCC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90224.

### **PROCUREMENT REVIEW RESULTS**

While we conclude that, overall, NCCC is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of cost/price analysis. The finding that we identified in this area, our recommendation and the NCCC proposed resolution of the finding is specified below.

### **FINDING 3**

**Requirement:** Section 97.36(c) of CFR states, all procurement transactions will be conducted in a manner providing full and open competition. In addition, 97.36(d)(4) states, in part, procurement by a noncompetitive proposal is a procurement through a solicitation of proposal from only one source, or after a solicitation of number of sources, competition is determined inadequate. Furthermore, 97.36(f) states, in part, a cost analysis will be necessary when adequate price competition is lacking, and for sole source procurements, including contract modifications.

**Observation:** We observed that NCCC did not perform a cost/price analysis for three procurement transactions.

Specifically, we found:

- NCCC procured consultant services from three vendors (Growth Sector, Rob Gamble and Associates, and John G. Chamberlin).
- These services are for:
  - Contract A – Consulting services with a particular focus on pathways in energy audit and weatherization programs for the American Recovery and Reinvestment Act (ARRA). Awarded to Growth Sector at \$125 per hour for a total of \$45,000.
  - Contract B – Consulting services to provide additional administrative support to NCCC for development and oversight of ARRA related activities. Awarded to Rob Gamble at \$85 per hour for a total of \$40,000.
  - Contract C – Consulting services for technical assistance related to WIA and ARRA including: formulation and review of WIA documents; legal review and assistance; and other work assignments desired by NCCC. Awarded to John Chamberlin at \$185 per hour for a total of \$25,000.
- Each of these service providers provided only one bid for one contract (A, B, or C). NCCC then used the bids to justify the cost/price analysis for the other two contracts. For example: John Chamberlin bid on only contract C; however, NCCC used John Chamberlin's bid to justify the cost/price analysis for contracts A and B. Therefore, NCCC was effectively comparing unlike services to justify the award for each contract.

**Recommendation:** We recommended NCCC provide a CAP, including a timeline, to CRO ensuring that a cost/price analysis comparing like services will be conducted for future contracts including contract modifications.

**NCCC Response:** The NCCC stated that the four quotes mentioned above were relevant at their initial receipt; however, as the services became more defined, they became more specific in scope. In addition, NCCC stated that they have commenced with a more defined cost/price analysis effective August 25, 2009.

**State Conclusion:** The NCCC stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future on-site visit, NCCC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90225.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is NCCC's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain NCCC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Jennifer Shane at (916) 654-1292.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jessie Mar", is written over a horizontal line.

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Linda Beattie, MIC 50  
Daniel Patterson, MIC 45  
Jose Luis Marquez, MIC 50  
Greg Gibson, MIC 50